



## GOVERNOR'S OFFICE

TO: Agency Secretaries  
Department Directors  
Chief Information Officers

FROM: Susan Kennedy, Deputy Chief of Staff and Cabinet Secretary

A handwritten signature in black ink, consisting of the letters 'SK' in a stylized, cursive font.

DATE: April 18, 2001

RE: **HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT**

The Governor's Office commends the many Agencies and Departments that have begun efforts to comply with the new rules and standards set forth by the Health Insurance Portability and Accountability Act (HIPAA) of 1996. As you are aware, the State of California must comply with the new rules within specified timeframes or face significant financial penalties.

The HIPAA requires specific national standards for coding and tracking medical information, administrative simplification, and security and privacy of individual patient medical records. The HIPAA is considered to be the most sweeping legislation to affect the health care industry in over 30 years, affecting nearly everyone involved in health care. To ensure the successful implementation of HIPAA regulations, the Governor's Office has established the Office of HIPAA Implementation (OHI), within the Health and Human Services Agency, to assume statewide leadership in this important endeavor. The OHI will assume the following responsibilities:

1. Provide statewide leadership, coordination, policy formulation, direction and oversight responsibilities for HIPAA implementation.
2. Monitor and report on departmental implementation efforts.
3. If deemed necessary, create HIPAA advisory committees, which may include key stakeholders from federal and local government, non-profit health care organizations, providers, consumers, and other private sector stakeholders to provide insight and input in policy formulation and coordination efforts.

The state's HIPAA compliance efforts are to be immediately and comprehensively reevaluated by the OHI under the direction of the Secretary of the Health and Human Services Agency. The OHI is directed to take all necessary steps to assess departmental HIPAA implementation efforts and provide direction where needed. In addition, the OHI

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shall develop a communications outreach plan to keep State departments, the Legislature, federal agencies, counties, and partners in the private sector informed about HIPAA compliance activities.

In addition, the OHI shall establish a statewide master plan to implement HIPAA regulations. As required by OHI, all state departments are to assist in the development of the master plan. To accomplish this, all state departments are required to do the following:

1. Report to the OHI within 30 days of the date of this letter whether or not they are impacted by HIPAA.
2. Coordinate with the Secretary of Health and Human Services and the OHI in achieving compliance with HIPAA.
3. Determine the readiness of counties, which play a role in implementing their programs to comply with HIPAA requirements and share HIPAA county data with the OHI.
4. Establish contingency plans to keep health programs operating in the event of unforeseen problems arising in implementing changes to current health programs or information technology systems, including one partner being farther along in HIPAA implementation than another in situations where data must be exchanged.

Unless subsequently extended, these requirements shall remain in effect until June 30, 2007.

The Governor's 2001-02 Budget includes a statewide appropriation of \$70 million to fund HIPAA remediation and implementation proposals. Funding proposals must be submitted to the OHI for review and subsequent approval by the Department of Finance. A subsequent Budget Letter addressing funding allocation criteria and process will be issued by the Department of Finance.

Your leadership and cooperation in this effort is greatly appreciated. If you have questions or need additional information please contact Mr. Stephen W. Kessler, Principal Program Budget Analyst, Department of Finance (Email: [FSKessl@dof.ca.gov](mailto:FSKessl@dof.ca.gov), or call (916) 445-6423, or Mr. Burt Cohen, Assistant Secretary, California Health and Human Services Agency (e-mail: [BCohen@chhs.ca.gov](mailto:BCohen@chhs.ca.gov)), or call (916) 654-3454.

Thank you.